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THE TORONTO STOCK EXCHANGE

5/6/69

FILING STATEMENT NO. 1698.  
FILED, JUNE 16th, 1969.

file  
PINNACLE PETROLEUMS LTD.

Full corporate name of Company  
Incorporated under The Companies Act, Alberta by  
Certificate of Incorporation dated September 8, 1959  
Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953  
(Ontario) by Letters Patent dated May 1st, 1957).

FILING STATEMENT

(To be filed with respect to any material change in a company's affairs, including among other things,  
an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

|                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed. | <p>The material change in the Company's affairs in respect of which this statement is filed is the proposed change of the control of the Company to be effected by the sale June 6, 1969 by Japex Canada Limited ("Japex") to Midalta Oil Company Limited ("Midalta") of 1,913,000 shares of the Company, being approximately 50.1% of the Company's outstanding shares.</p> <p>On April 12, 1969 Japex conditionally accepted an offer from Canadian Industrial Gas &amp; Oil Ltd. ("CIGOL") to buy all of said shares. As required by the Share Purchase Agreement described under item 19 below, Japex then offered to sell said shares on similar terms to the parties holding preferential rights to purchase. One of the latter parties, R.C. Todd, assigned his interests to Midalta which latter by notice May 20, 1969 elected to purchase all of said shares. None of the other parties holding preferential rights exercised any rights with respect to the shares so offered. Japex thereupon cancelled its conditional agreement with CIGOL in accordance with the terms thereof and is proceeding to close a sale of said shares to Midalta.</p> <p>The sale involves Midalta:</p> <p>(i) paying Japex the sum of \$1.35 per share,</p> <p>(ii) buying from Japex at their par value the Debentures of the Company totalling in principal amount \$456,808.63 described under item 5 below, and</p> <p>(iii) procuring from the Bank of Montreal a release of the guarantee of Japex referred to under item 5.</p> <p>The entire existing Board of Directors and all officers will resign at or prior to closing, June 6, 1969.</p>                                                                                                                                                                                                                                                                      |
| 2. Head office address and any other office address.                                                                 | 501 Petroleum Building, 310 - 9th Avenue S.W., Calgary 2,<br>Alberta                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.     | <p>The new officers and directors, all nominees of Midalta, are to be as follows:</p> <p>D. Bruce Bullock      President and Director<br/>RR # 2, Calgary, Alberta - a consulting geologist.<br/>Chief occupation for the past 5 years - vice president and then president of Bullock Helicopters Ltd.</p> <p>Howard Noel Crawford,      Director<br/>21 Dale Avenue, Toronto, Ontario - executive.<br/>From 1963 to 1966, vice president and general manager of Boothe Leasing of Canada Ltd.<br/>1966 to the present, president of Greyhound Leasing &amp; Financial of Canada, Ltd. and senior vice president of Greyhound Leasing &amp; Financial Corporation.</p> <p>Kenneth L. Cutts,      Director<br/>103 Fulham Crescent, Winnipeg, Manitoba - executive<br/>Prior to 1966, superintendent of marketing, Canadian Imperial Bank of Commerce, Toronto.<br/>1966 to 1968, general manager of Bank of Western Canada.<br/>1968 to present, president of Fort Garry Trust Company.</p> <p>Derek Stephen Jones,      Secretary and Director<br/>201 Wascana Crescent, Calgary 30, Alberta - barrister and solicitor<br/>Prior to 1966, employed in land department of Canada-Cities Service Petroleum Corporation.<br/>1966 - 1967, land manager of Gage Canadian Oil and Gas Company.<br/>1967 to the present, partner Clarke &amp; Jones, barristers and solicitors.</p> <p>Alexander Muirhead,      Treasurer and Director<br/>3210 - 29th Street S.W., Calgary 7, Alberta - chartered accountant.<br/>Prior to 1968, senior partner of Muirhead, Brock, Hudson &amp; Wallace, chartered accountants.<br/>1968 to present, independent practice as a chartered accountant.</p> <p>Howard Startup Rhodes,      Director<br/>907 - 48th Avenue S.W., Calgary 6, Alberta - petroleum consultant<br/>From 1959 to the present he has been a petroleum consultant exclusively retained by Grizzly Petroleum Ltd.</p> |



|                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4. Share capitalization showing authorized and issued and outstanding capital.                                                                                                                                                                                                                     | Authorized: 7,000,000 shares without nominal or par value<br>Issued and outstanding: 3,818,500 shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.                                                                                                                                                                                | <p>(a) The Company has authorized its 7 3/4% demand series debentures secured by a floating charge on the undertaking and all property and assets of the Company and limited in principal amount to \$1,000,000.00. Debentures totalling in principal amount \$456,808.63 have been issued and sold at par to Japex Canada Limited. An additional debenture in principal amount \$280,000.00 has been pledged to Japex to secure a guarantee by Japex in like amount of the Company's indebtedness to Bank of Montreal, this being the same guarantee as that referred to under item 6 (b) below. As indicated under item 1 above, Japex will sell and transfer at closing June 6, 1969 all of the said debentures to Midalta.</p> <p>(b) Certain producing properties of the Company are encumbered by assignments under Section 82 of the Bank Act to secure demand production loans totalling \$507,392.00 (as of March 31, 1969), of which approximately \$121,500.00 is to be repaid in 1969.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.                                                                                                                     | <p>(a) On November 18, 1966 options totalling 152,500 shares were granted to certain officers, employees and directors of the Company, exercisable at \$1.35 per share. There remain under option only 20,000 shares, in favour of Messrs. M.A. Tkachyk (6,000), L. Alho (6,000), M. Nagata (3,000), T. Toba (3,000) and J.D. Madder (2,000), all of whom are employees of the Company. On December 15, 1967 options totalling 43,500 shares were granted to certain officers, employees and directors exercisable at \$3.23 per share. There remain under this option only 2,500 shares in favour of Mr. Madder.</p> <p>Under both option arrangements, one-fifth of the shares might be purchased after December 1st of each year 1967 to 1971 inclusive, the right to buy being cumulative and, unless sooner exercised or terminated by termination of employment, continuous until December 31, 1976.</p> <p>(b) In consideration of a guarantee of short term banking indebtedness of the Company in the amount of \$280,000.00 by Japex Canada Limited, the Company agreed, in the event of Japex being obliged to make any payment pursuant to such guarantee, to issue fully paid shares of the Company to Japex, at the option of Japex, at a price of \$2.40 per share in full satisfaction of the obligations of the Company to Japex arising therefrom. This right will be transferred by Japex to Midalta at closing June 6, 1969.</p> |
| 7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.                                                                 | <p>M.A. Tkachyk, 32 Winchester Crescent S.W., Calgary 5, Alberta<br/> L. Alho, RR # 2, Box 21, Site 3, Calgary, Alberta.<br/> J.D. Madder, 505 Sunderland Avenue S.W., Calgary 4, Alberta.<br/> Japex Canada Limited, 700-310-9th Avenue S.W., Calgary 2, Alberta<br/> In consideration of Midalta replacing Japex as guarantor, Japex will assign its said option rights to Midalta at closing June 6, 1969<br/> Midalta Oil Company Limited, 3rd Floor, 509 - 8th Avenue S.W.,<br/> Calgary 2, Alberta</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.                                                                                                                                | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.                                                                                                                                                           | <p>Midalta and its nominees described under item 3 above do not at this time intend to change the basic operational policies of the Company</p> <p>See SUPPLEMENT to the Filing Statement on page 3.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 10. Brief statement of company's chief development work during past year.                                                                                                                                                                                                                          | The Company's chief development work during the past year has been the continuous extension of the Hamilton Lake field and the preparation of facilities for waterflood operations in that field.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.                                                                                                                                                   | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company. | Not applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.                                                                                                                                                                              | 1,913,000 shares being bought by Midalta from Japex, 3,900 shares owned by R.C. Todd, 100 shares owned by H.M. Considine and 1 share owned by R.H. O'Connor are subject to the preferential rights provisions of the Share Purchase Agreement described under item 19.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |



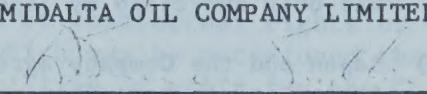
THE TORONTO STOCK EXCHANGE

SUPPLEMENT  
to the Filing Statement dated  
May 29, 1969 of PINNACLE PETROLEUMS LTD.

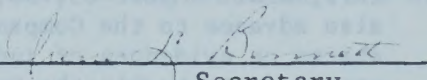
With reference to the Filing Statement dated May 29, 1969 of Pinnacle Petroleum Ltd., Midalta Oil Company Limited hereby confirms that (i) it does not at this time intend to change the basic operational policies of Pinnacle Petroleum Ltd. and (ii) any proposed material changes in the affairs of Pinnacle in future will be subject to prior notice thereof having been accepted for filing by the Toronto Stock Exchange.

DATED June 9, 1969.

MIDALTA OIL COMPANY LIMITED

  
President

(Corporate seal)

  
Secretary



## SCHEDULE "A"

### (a) Share Purchase Agreement

Pursuant to an agreement (the "Share Purchase Agreement") made as of June 10, 1966, between Japan Petroleum Exploration Co. Ltd. ("Japan"), of the first part, Messrs. R.H. O'Connor, R.C. Todd, H.M. Considine, W.H. Carruthers, W.R. Carruthers and F.T. Jenner (the "Sponsors"), of the second part, Canadian Enterprise Development Corporation Limited ("CED"), of the third part, and the Company of the fourth part, Japex, a wholly-owned subsidiary of Japan and the assignee of all the right, title and interest of Japan in and to the Share Purchase Agreement, acquired at the price of 60 cents per share from the Sponsors and CED a total of 863,000 shares, being approximately 50.1% of the total shares of the capital stock of the Company then issued or reserved for issuance.

In and by the Share Purchase Agreement, it was further provided amongst other things, as follows:

- (i) Japan was granted the option, exercisable on or before December 31, 1966, to purchase a further 300,000 treasury shares of the capital stock of the Company at a price of 60 cents per share (which option was duly exercised by Japex);
- (ii) Japan and the Company agreed forthwith to enter into the Co-Venture Agreement, (hereinafter mentioned) and that, subject to necessary yearly approvals of the Government of Japan, Japan prior to December 31, 1971, shall invest \$3,750,000 under such Co-Venture Agreement and shall also advance to the Company, either by way of loan or as payment for shares or evidences of indebtedness of the Company, to the extent necessary to enable the Company to meet its corresponding obligations under the Co-Venture Agreement, sums not exceeding in the aggregate \$1,250,000;
- (iii) in the event that at any time prior to December 31, 1971 the Company proposes to sell any additional shares Japan, CED and each of the Sponsors shall have the right to purchase such shares in the proportions in which they then own shares of the Company at the price at which such shares are proposed to be sold; and, in the event that any one of such parties declines to purchase his proportion of such shares, the other parties shall have the right to purchase proportionately the shares which such party has the right to purchase and does not wish to purchase; and
- (iv) Japan, CED and each of the Sponsors severally agreed, that in the event prior to December 31, 1971, it or he desires to sell any of its or his shares in the Company, it or he will first offer to sell such shares to the other of such parties in proportion to their respective holdings of shares in the Company; and, in the event that any one of such parties declines to purchase his proportion of such shares, the other parties shall have the right to purchase proportionately the shares which such party has the right to purchase and does not wish to purchase, all subject to the provisions specified therein.

By letter October 25, 1967, Japex, CED and Messrs. O'Connor, Todd and Considine released Messrs. W.H. Carruthers, W.R. Carruthers and F.T. Jenner from their obligations in subpart (iv) above described.

By agreement dated May 20, 1969, R.C. Todd assigned to Midalta his entire interest in and under the Share Purchase Agreement.

### (b) Co-Venture Agreement

The said Co-Venture Agreement (the "Co-Venture Agreement") as duly made as of June 10, 1966, between Japan and the Company and was assigned by Japan to Japex on August 11, 1966, and it was thereby agreed, amongst other things, as follows:

- (i) Japex and the Company thereby constituted, established and joined in a joint venture for the purpose of prospecting and exploring for oil and gas in Western Canada, and acquiring and developing oil and gas properties, all in accordance with the terms and provisions therein set forth.
- (ii) the Company was thereby designated Managing Operator of the Co-Venture;



(iii) except as otherwise therein provided, the parties thereto agreed to contribute to the fund required for the purposes of carrying on the Co-Venture as thereby constituted, bear all costs and expenses and burdens incurred thereunder, and hold and own all assets, rights and interests whatsoever arising therefrom or operations thereunder, all in the following respective undivided shares or interests:

|             |   |     |
|-------------|---|-----|
| Japex       | - | 75% |
| the Company | - | 25% |

- (iv) annually, prior to the beginning of each calendar year during the term thereof, the Company shall submit to Japex its proposed operation program for such calendar year; annually, after the coming into force of this agreement and at the beginning of each calendar year during the terms thereof, Japex shall, having some regard to the proposed operating program for that calendar year previously submitted by the Company, designate the sum of money which is to be available for its participating interest share of the Co-Venture Fund for such calendar year, such sum in no event to be less than \$500,000 subject to necessary approval of the Government of Japan, and such designation shall determine the total amount of the Co-Venture Fund for that calendar year;
- (v) in the course of the operation of such Co-Venture, the Company may not, on behalf of the Co-Venture, make or enter into agreements or arrangements with third parties, acquire or dispose of contractual rights or working interests, make any payments of money which may be occasioned thereby from the Co-Venture Fund, or initiate the drilling of wells for the Co-Venture without the prior agreement of Japex, and, in the event of any failure to agree, the decision of Japex with reference to any such matters shall be final and binding on both parties;
- (vi) except for the operation and development of lands held by the Company as of the date on which the Co-Venture Agreement came into force, the Company shall not carry on the business of acquiring, exploring or developing oil and gas properties in Western Canada other than as part of the Co-Venture (this provision not precluding the two parties to the Co-Venture from seeking outside participation);
- (vii) Japex shall at all times be free to acquire oil and gas properties in Western Canada and elsewhere, and to carry on the oil and gas business in all its facets in Western Canada or elsewhere, for its own account or with others, but in any event not subject in any way to this agreement, provided only, however, that any such acquisition and business shall be subject to the obligation of Japex to commit funds approved for expenditure in Canada by the Government of Japan to the Co-Venture Fund to the extent to which Japex has agreed so to do; and
- (viii) the Co-Venture Agreement shall remain in effect from the date upon which it comes into force until December 31, 1971, or such later dates as may be agreed to by the parties thereto, at which time any surplus amount in the Co-Venture Fund shall be distributed to the parties thereto in accordance with their respective participating interests.

The Co-Venture Agreement was somewhat modified by an agreement dated August 11, 1967 made between Japex and the Company pursuant to which Japex sold to the Company its entire interest in certain Co-Venture properties and it was agreed that the Company could carry on the business of exploring and developing such properties without further reference to the Co-Venture Agreement.



## FINANCIAL STATEMENTS

PINNACLE PETROLEUMS LTD. AND SUBSIDIARY COMPANY

## Consolidated Balance Sheet

March 31, 1969

(with comparative figures for 1968)

|                                                                   | Assets       |           | Liabilities  |           |
|-------------------------------------------------------------------|--------------|-----------|--------------|-----------|
|                                                                   | 1969         | 1968      | 1969         | 1968      |
| Current assets:                                                   |              |           |              |           |
| Cash                                                              | \$ 26,974    | -         | \$ -         | 2,797     |
| Accounts receivable                                               | 70,271       | 262,852   | 401,500      | 121,500   |
| Due from parent company, Japex Canada Limited                     | 26,548       | 201,942   | 401,500      | 124,297   |
| Prepaid expenses                                                  | 2,606        | 3,537     | 191,301      | 717,442   |
| Total current assets                                              | 126,399      | 468,331   | 397,458      | -         |
| Deferred accounts receivable                                      | 28,058       | -         | 19,948       | 18,974    |
| Property and equipment - at cost less depletion and depreciation: |              |           | 1,010,207    | 860,713   |
| Petroleum and natural gas properties (Note 1)                     | 3,246,338    | 2,680,959 |              | 400,392   |
| Less accumulated depletion                                        | 283,253      | 215,234   | 385,892      | 19,549    |
| Production and other equipment                                    | 2,963,085    | 2,465,725 | -            | 419,941   |
| Less accumulated depreciation                                     | 714,499      | 551,222   | 385,892      |           |
|                                                                   | 252,440      | 157,144   |              |           |
|                                                                   | 462,059      | 394,078   |              |           |
| Net property and equipment                                        | 3,425,144    | 2,859,803 |              |           |
| Other assets:                                                     |              |           |              |           |
| Drilling and other deposits - at cost less amounts written-off    | 29,825       | 64,911    | 3,118,728    | 2,737,328 |
| Incorporation expenses                                            | 4,517        | 4,517     | 900,884      | 620,420   |
|                                                                   | 34,342       | 69,428    | 2,217,844    | 2,116,908 |
| Approved on behalf of the Board:                                  |              |           |              |           |
| <i>W. J. J. J. J.</i> , Director                                  |              |           |              |           |
| <i>G. F. J. J. J.</i> , Director                                  |              |           |              |           |
|                                                                   | \$ 3,613,943 | 3,397,562 | \$ 3,613,943 | 3,397,562 |

Approved on behalf of the Board:

Director

Chas. F. Smith, Director

See accompanying notes.



PINNACLE PETROLEUMS LTD. AND SUBSIDIARY COMPANY

Consolidated Statement of Earnings  
Year ended March 31, 1969

(with comparative figures for 1968)

|                                                            | 1969           | 1968           |
|------------------------------------------------------------|----------------|----------------|
| Revenue:                                                   |                |                |
| Crude oil sales                                            | \$ 228,592     | 209,449        |
| Interest and other income                                  | 15,069         | 8,393          |
|                                                            | <u>243,661</u> | <u>217,842</u> |
| Expenses - net:                                            |                |                |
| Operating expenses                                         | 153,304        | 103,358        |
| Depreciation                                               | 95,481         | 75,095         |
| Depletion                                                  | 68,018         | 96,141         |
| Mining claims exploration expenses<br>written-off          | -              | 19,789         |
| Salaries and employee benefits                             | 126,912        | 173,053        |
| General administrative                                     | 136,439        | 127,810        |
| Interest - long-term                                       | 46,770         | 23,666         |
| - other                                                    | 30,784         | 16,790         |
| Sundry                                                     | 6,281          | 7,756          |
| Expenses recovered from Japex Canada<br>Limited            | (114,089)      | (81,142)       |
|                                                            | <u>549,900</u> | <u>562,316</u> |
| Less engineering fees and other<br>charges to participants | <u>25,775</u>  | <u>27,908</u>  |
|                                                            | <u>524,125</u> | <u>534,408</u> |
| Net loss                                                   | \$ 280,464     | 316,566        |

Consolidated Statement of Deficit  
Year ended March 31, 1969

(with comparative figures for 1968)

|                              |                |                |
|------------------------------|----------------|----------------|
| Deficit at beginning of year | \$ 620,420     | 241,546        |
| Add:                         |                |                |
| Financing expenses           | -              | 62,308         |
| Net loss for the year        | <u>280,464</u> | <u>316,566</u> |
|                              | <u>280,464</u> | <u>378,874</u> |
| Deficit at end of year       | \$ 900,884     | 620,420        |

See accompanying notes.



PINNACLE PETROLEUMS LTD. AND SUBSIDIARY COMPANY

Consolidated Statement of Source and Application of Funds  
Year ended March 31, 1969

(with comparative figures for 1968)

|                                                                       | <u>1969</u>       | <u>1968</u>      |
|-----------------------------------------------------------------------|-------------------|------------------|
| Source of funds:                                                      |                   |                  |
| Proceeds from sales of shares of capital stock                        | \$ 381,400        | 1,986,325        |
| Bank loans                                                            | -                 | 177,795          |
| Proceeds from disposal of capital assets                              | 678               | 12,826           |
| Reduction in drilling and other deposits - net                        | <u>29,086</u>     | <u>-</u>         |
| Total source of funds                                                 | <u>411,164</u>    | <u>2,177,016</u> |
| Use of funds:                                                         |                   |                  |
| Net loss for the year                                                 | 280,464           | 316,566          |
| Deduct non-cash items - net:                                          |                   |                  |
| Depletion                                                             | 68,018            | 96,141           |
| Depreciation                                                          | 95,481            | 75,095           |
| Mining claims exploration expenses written-off                        | -                 | 19,789           |
| Other                                                                 | <u>5,136</u>      | <u>5,118</u>     |
|                                                                       | <u>168,635</u>    | <u>196,143</u>   |
| Use of funds on operations                                            | 111,829           | 120,423          |
| Petroleum and natural gas properties                                  | 565,378           | 1,169,120        |
| Production and other equipment                                        | 163,276           | 157,809          |
| Drilling and other deposits                                           | -                 | 50,550           |
| Reduction in non-current bank loans                                   | 14,500            | -                |
| Reduction in non-current note and conditional sales agreement payable | 19,549            | 20,678           |
| Reduction in notes payable for shares issued                          | -                 | 134,000          |
| Deferred accounts receivable                                          | 28,058            | -                |
| Financing expenses                                                    | <u>-</u>          | <u>62,308</u>    |
| Total use of funds                                                    | <u>902,590</u>    | <u>1,714,888</u> |
| Increase (decrease) in working capital deficiency                     | <u>\$ 491,426</u> | <u>(462,128)</u> |

See accompanying notes.



PINNACLE PETROLEUMS LTD. AND SUBSIDIARY COMPANY

Notes to the Consolidated Financial Statements  
March 31, 1969

1. Principles of Consolidation

The consolidated balance sheet includes the accounts of Pinnacle Petroleum Ltd. and those of its wholly owned subsidiary Baldonnel Oil & Gas Ltd. The excess of the purchase price over the underlying net book value of the shares of Baldonnel Oil & Gas Ltd. amounting to \$131,569 has, on consolidation, been added to petroleum and natural gas properties and has been depleted on consolidation since January 1, 1967.

The companies follow the "full cost" method of accounting wherein all costs and expenses of exploring for and developing oil and natural gas reserves are capitalized and depleted over the productive lives of the properties on a unit of production method.

2. Pinnacle and Baldonnel have pledged certain producing oil properties and revenue therefrom in accordance with Section 82 of the Bank Act as security for these loans. Although the loans are payable on demand, under the agreed terms of repayment approximately \$121,500 will be required to be repaid in the next twelve months and this amount has been included with current banking indebtedness. The loans are also secured by a general assignment of book debts.
3. During the year the company authorized \$1,000,000 of 7½% series debentures payable on demand. Debentures in the principal amount of \$397,458 were issued prior to March 31, 1969 and a debenture of \$59,350 was issued subsequent to this date. In addition a debenture in the principal amount of \$280,000 was issued to Japex Canada Limited as collateral security for that company's guarantee of banking indebtedness of Pinnacle (see also Note 4).

The debentures are secured by a first floating charge on the undertaking and all of the property and assets of the company, both present and future.

4. Share capital

Shares in the capital stock of the company have been issued during the year as follows:

|                |                                                                                   |            |
|----------------|-----------------------------------------------------------------------------------|------------|
| 250,000 shares | for cash, pursuant to an agreement with Japex Canada Limited dated April 13, 1967 | \$ 362,500 |
| 14,000 shares  | for cash, pursuant to stock options                                               | 18,900     |
| 264,000        |                                                                                   | \$ 381,400 |

On November 18, 1966 options were granted to certain directors, officers and employees at \$1.35 per share and on December 15, 1967 options were granted at the equivalent of 85% of the closing market price of the shares of the company as indicated by the Toronto Stock Exchange on the date the options were granted (\$3.23). Under the terms of the option agreements one fifth and in one case one quarter of the shares may be purchased after December 1 in each of the years 1967 to 1971 inclusive, the right to purchase being cumulative and unless sooner exercised or terminated by termination of employment, continuous until December 31, 1976. Options were exercised and cancelled during the year as to 14,000 shares and 35,000 shares respectively. At March 31, 1969 there were 87,500 shares under option at \$1.35 and \$3.23 per share.

In consideration of a guarantee of banking indebtedness of the company, amounting to \$280,000, by Japex Canada Limited, Pinnacle has agreed to issue fully paid shares to Japex at a price of \$2.40 per share in full satisfaction of the obligations of Pinnacle to Japex arising from any payments by Japex pursuant to this guarantee.

5. The aggregate direct remuneration paid to directors and senior officers by the Pinnacle Petroleum Ltd. was \$73,360.



6. Under agreement dated June 10, 1966 Japex and Pinnacle agreed rorthwith to enter into a co-venture agreement subject to the necessary yearly approval of the Government of Japan, whereby Japex shall prior to December 31, 1971 invest \$3,750,000 under such co-venture agreement and shall also advance, to Pinnacle either by way of loan or as payment for shares or evidences of indebtedness of Pinnacle to the extent necessary to enable Pinnacle to meet its corresponding obligations under the co-venture agreement, sums not exceeding in the aggregate \$1,250,000. At March 31, 1969 \$2,005,341 had been invested by Japex under the co-venture agreement.

The Company is co-signor, with its parent company, of a note payable in the amount of \$59,954. Only 25% of the amount of the note, representing the Company's interest in the asset acquired, is included in the accompanying consolidated balance sheet.

Also, the company has issued to a governmental authority a non-interest bearing demand note in the amount of \$249,193 as security for the performance of work obligations in respect of certain exploratory rights. This note is co-signed by the parent company of Pinnacle.

7. For income tax purposes the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation for tax purposes) in amounts which may exceed the related depletion and depreciation provisions reflected in their accounts. For 1969 the companies do not intend to claim excess capital allowances but will claim the other specified deductions in amounts sufficient to eliminate taxable incomes, and expenditures remain to be carried forward and applied against future taxable incomes as follows:

|                                                   |              |
|---------------------------------------------------|--------------|
| Drilling, exploration and lease acquisition costs | \$ 3,644,682 |
| Undepreciated capital cost                        | \$ 581,951   |

Management does not believe that it is appropriate to provide for income taxes deferred as a result of claims for drilling, exploration and lease acquisition costs; while the view of management conforms with general practice in the oil and gas industry and is accepted by accounting authorities outside Canada, it differs from the tax allocation basis of accounting recommended by the Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants under which the income tax provision is based on the income reported in the accounts.

On a cumulative basis to March 31, 1969 the companies have written off in their accounts approximately \$437,000 in excess of the capital cost allowances and drilling, exploration and lease acquisition costs claimed for income tax purposes.

PEAT, MARWICK, MITCHELL & CO.  
CHARTERED ACCOUNTANTS

309 EIGHTH AVENUE WEST  
CALGARY, ALBERTA

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Pinnacle Petroleum Ltd. and subsidiary company as of March 31, 1969 and the consolidated statements of earnings, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiary company at March 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta

May 9, 1969

*Peat, Marwick Mitchell & Co.*  
Chartered Accountants



|                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.                                                           | Japex Canada Limited, 7th Floor, 310 - 9th Avenue S.W.,<br>Calgary 2, Alberta<br>After the closing June 6, 1969, Japex will be replaced by:<br>Midalta Oil Company Limited, 3rd Floor, 509 - 8th<br>Avenue S.W., Calgary 2, Alberta<br>Incorporated under The Companies Act, Alberta, March 25, 1947<br><br>(The following is the only person whose shareholdings of<br>Midalta are large enough materially to affect control of<br>Midalta:<br>D. Bruce Bullock, RR # 2, Calgary, Alberta) |
| 17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value. | The Company owns all of the outstanding shares of Baldonnel Oil & Gas Ltd. which were obtained in exchange for 250,000 shares of the Company issued pursuant to an offer to the shareholders of Baldonnel dated December 16, 1966. The value placed by the Company on these shares is \$337,500 which is \$131,569 over the net book value of the Baldonnel shares at December 31, 1966. No market value is available for the Baldonnel shares.                                             |
| 18. Brief statement of any lawsuits pending or in process against company or its properties.                                                                                    | None pending or in process                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.   | See Schedule "A" on pages 4 and 5.                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.          | No other material facts.<br>No shares of the Company are in the course of primary distribution to the public.                                                                                                                                                                                                                                                                                                                                                                               |

DATED May 29, 1969

#### CERTIFICATE OF THE COMPANY

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"K. Yoshida"

K. Yoshida  
President

CORPORATE  
SEAL

"J. Furukawa"

J. Furukawa  
Treasurer

#### CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)







AR84

# THE TORONTO STOCK EXCHANGE

26/6/69

AMENDING FILING STATEMENT NO. 362  
FILED, JULY 21st, 1969.

PINNACLE PETROLEUMS LTD.

Full corporate name of Company

## AMENDING FILING STATEMENT

(To be filed with respect to any change in a Filing Statement filed within a period of six months)

To be read in conjunction with Filing Statement No. 1698 Dated May 29, 1969.

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.

The material changes in the Company's affairs in respect of which this statement is filed are:-

- (a) the proposed appointment of Lono Keith Brown as an addition to the Board, pursuant to Article 64 of the Articles of Association;
- (b) \* the proposed sale of the Company's 25% interest in certain lands acquired under the Co-Venture Agreement referred to in detail in the Filing Statement dated May 29th, 1969, to Japex Canada Limited ("Japex") for \$327,600.00.

At the same time Japex and the Company will:-

- (i) cancel the Co-Venture Agreement and release each other from all claims and demands thereunder;
- (ii) enter into an agreement for the exploration and development of the Mosquito Indian Reserve lands now jointly held by them, adopting, with necessary changes, Clause 8 of the Co-Venture Agreement for that purpose. Clause 8 of the Co-Venture Agreement provides for the negotiation and execution of an operating agreement where any exploratory well encounters oil or gas in commercial quantities and in circumstances which warrant the completion of such well;

The Mosquito Indian Reserve lands now jointly held by the Company and Japex Canada Limited are held on the basis of 25% interest to the Company and 75% interest to Japex Canada Limited.

- (iii) cancel the Share Purchase Agreement referred to in detail in the Filing Statement dated May 29th, 1969, upon the Company delivering to Japex an instrument executed by all parties to the Share Purchase Agreement other than Japex cancelling the same, which instrument will be executed by Japex.

- \* The lands in which the Company's interest is being sold are known as:-

Blackwater Lake N.W.T. and comprise 599,580 Permit Acres which equals 127,402 Pinnacle Net Acres.

The Company has obtained a report from James A. Lewis Engineering Co. Ltd. which places a value of \$318,500.00 on the Company's 25% interest in the Blackwater Lake lands.



PINNACLE PETROLEUMS LTD. AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE THREE MONTHS ENDED 30 JUNE, 1969

SOURCE OF FUNDS

|                                          |                   |
|------------------------------------------|-------------------|
| PROCEEDS FROM DISPOSAL OF CAPITAL ASSETS | \$ 329,004        |
| OTHER                                    | <u>93</u>         |
| TOTAL SOURCE OF FUNDS                    | <u>\$ 329,097</u> |

USE OF FUNDS

|                                        |                   |
|----------------------------------------|-------------------|
| NET LOSS FOR THE THREE MONTHS          | \$ 78,583         |
| DEDUCT NON-CASH ITEMS - NET:           |                   |
| DEPLETION                              | 16,675            |
| DEPRECIATION                           | <u>20,952</u>     |
|                                        | <u>37,627</u>     |
| USE OF FUNDS ON OPERATIONS             | <u>\$ 40,956</u>  |
| PETROLEUM & NATURAL GAS PROPERTIES     | 1,776             |
| PRODUCTION & OTHER EQUIPMENT           | 12,130            |
| REDUCTION IN NON-CURRENT BANK LOANS    | <u>30,375</u>     |
| TOTAL USE OF FUNDS                     | <u>\$ 85,237</u>  |
| DECREASE IN WORKING CAPITAL DEFICIENCY | <u>\$ 243,860</u> |

July 14, 1969

Approved on behalf of the Board

D. Bruce Bullock Director  
D. Bruce Bullock

A. Muirhead Director  
Alex Muirhead



|                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.                                                              | The proposed additional Director, a nominee of Midalta Oil Company Limited is: Lono Keith Brown - Director, 4407 Britannia Drive S. W., Calgary, Alberta. 1950-1963 Owner-Manager of Dominion Drive UR Self System Ltd.; 1963-1968 Vice President and Western Divisional Manager of Hertz Rent-a-Car Canada; 1968 to present - self-employed.                                               |
| 19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing. | The 'Share Purchase Agreement' and the 'Co-venture Agreement' referred to in the Filing Statement dated May 29, 1969, are to be cancelled. The 'Share Purchase Agreement' is to be cancelled upon the company delivering to Japex an instrument executed by all parties to the Share Purchase Agreement other than Japex cancelling the same and that instrument will be executed by Japex. |
| 20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.        | No other material facts.                                                                                                                                                                                                                                                                                                                                                                    |

DATED June 23, 1969.

#### CERTIFICATE OF THE COMPANY

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"D.B. Bullock"

"A. Muirhead"

CERTIFICATE OF UNDERWRITER OR OPTIONEE

CORPORATE  
SEAL

TREASURER

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)







# TORONTO STOCK EXCHANGE

28/8/69

AMENDING FILING STATEMENT NO. 364  
FILED, SEPTEMBER 22nd, 1969.

PINNACLE PETROLEUMS LTD.

Full corporate name of Company

## AMENDING FILING STATEMENT

(To be filed with respect to any change in a Filing Statement filed within a period of six months)

To be read in conjunction with previous Filing Statement No. 1698 Dated June 16, 1969  
and Amending Filing Statement No. 362 Dated August 11, 1969.

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.

The material changes in the Company's affairs in respect of which this statement is filed are:

- (a) the proposed acquisition of an undivided 21.875% interest in certain lands in the Snake River area of the North West Territories (subject to the basic interest being earned) for 52,500 shares of the Company;
- (b) the proposed acquisition of all the outstanding shares, debentures and notes of Grizzly Petroleum Limited for 250,000 shares of the Company;
- (c) a proposed management contract containing an option whereby D. Bruce Bullock & Associates Ltd. will manage the company for three years for \$5,000.00 per month and expenses plus an option exercisable within the three years to purchase 100,000 shares of the Company at \$1.40 per share;
- (d) the proposed acquisition of all the outstanding shares of Midalta Oil Company Limited after Midalta Oil Company Limited has disposed of its shares in the Company and in shares of Toltec Mines Limited for 1,259,895 shares of the Company;
- (e) the redemption of Debenture No. 1 in the principal amount of \$278,661.78 of the 7 3/4% Series Debentures.
- (f) the proposed issue of a single Debenture to secure a loan of \$510,000.00 from Charles Scott of Timmins, Ontario, payable on or before September 1st, 1970.
- (g) the removal of the Company's Head office address to 3rd Floor, 703 - 5th Street S. W., Calgary 2, Alberta.

2. Head office address and any other office address.

3rd Floor, 703 - 5th Street S. W., Calgary 2, Alberta.



|                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4. Share capitalization showing authorized and issued and outstanding capital.                                                                                                                                                     | Authorized 7,000,000 shares<br><br>Issued and outstanding 3,818,500                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.                                                                                                                | The Company has authorized and proposes to issue to Charles Scott of Timmins, Ontario, a single Debenture in the sum of \$510,000.00 with interest at the rate of 17½% per annum payable on September 1, 1970, to secure a loan to the Company from Charles Scott in that amount. The Debenture grants as security a first floating charge on the undertaking and all of the property and assets of the Company for the time being, both present and future. The Company has the right to redeem the Debenture by payment of a bonus of \$5,000.00 if redeemed on or before December 1, 1969, a bonus of \$2,500.00 if redeemed after December 1, 1969, but on or before February 1, 1970, and without bonus after February 1, 1970.                                                                                                                                                                                                     |
| 6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.                                                     | <p>(a) 52,500 treasury shares to be issued to C. &amp; E. Syndicate for a 21.875% interest in certain lands in the Snake River area of the North West Territories described in Permits issued under the Canada Oil and Gas Land Regulations numbered 5713, 5714 and 5715, comprising 130,892 acres more or less, subject to the basic interest being earned;</p> <p>(b) 250,000 treasury shares to be issued to the shareholders of Grizzly Petroleum Limited for 20,000 shares (being all the issued shares) of Grizzly Petroleum Limited, and all debentures and notes;</p> <p>(c) An option to purchase 100,000 shares of the Company at \$1.40 per share has been granted to D. Bruce Bullock &amp; Associates Ltd. as part of the management contract referred to in Item 19;</p> <p>(d) 1,259,895 treasury shares to be issued to D. Bruce Bullock for 40 shares (being all the issued shares) of Midalta Oil Company Limited.</p> |
| 7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof. | <p>D. Bruce Bullock &amp; Associates Ltd. 3rd Floor, 703 - 5th St.S.W. Calgary, Alberta.<br/> As shareholders of D. Bruce Bullock &amp; Associates Ltd.<br/> D. Bruce Bullock, R.R.#2, Calgary, Alberta.<br/> H. S. Rhodes, 907 - 48 Avenue S.W., Calgary, Alberta.<br/> A. Muirhead, 3210 - 29th Street S.W., Calgary, Alberta.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |



SCHEDULE "A"

- (a) Vendors of the 21.875% interest described in Item 6 (being the members of C. & E. Syndicate) being sold for 52,500 shares of the Company.

|                                                                    |                                                        |
|--------------------------------------------------------------------|--------------------------------------------------------|
| Dr. Kay Ardell Burnham,<br>8535 - 88th Ave.,<br>Edmonton, Alberta. | Fred N. Spackman,<br>Box 500,<br>Cardston, Alberta.    |
| Vi Alfred Wood,<br>8347 - 120th St.,<br>Edmonton, Alberta.         | Roy R. Spackman,<br>Box 500,<br>Cardston, Alberta.     |
| Leonard D. Rice,<br>8308 - 120th St.,<br>Edmonton, Alberta.        | Dr. Burns J. Larson,<br>Box 500,<br>Cardston, Alberta. |
| Glen G. Fisher,<br>7208 - 89th Avenue,<br>Edmonton, Alberta.       | Seymour B. Williams,<br>Cardston, Alberta.             |
| Mr. Robert W. Russell,<br>Box 500,<br>Cardston, Alberta.           | William K. Sloan,<br>Cardston, Alberta.                |
| W. John Hollingsworth,<br>Box 500,<br>Cardston, Alberta.           | B. Young Williams,<br>Cardston, Alberta.               |
|                                                                    | Alan VanOrman,<br>Cardston, Alberta.                   |

Midalta Oil Company Limited does not have any interest in the C. & E. Syndicate and no member of the C. & E. Syndicate has any substantial interest in Pinnacle Petroleums Ltd.

- (b) Vendors of the shares of Grizzly Petroleum Limited being sold for 250,000 treasury shares of the Company.

|                                                                      |                           |
|----------------------------------------------------------------------|---------------------------|
| Ralph F. Will,<br>Apt. 1, 807 - 48 Ave. S.W.,<br>Calgary, Alberta.   | Vendor of<br>2794 shares. |
| M. A. Dutton,<br>R.R. #2,<br>Calgary, Alberta.                       | Vendor of<br>2794 shares. |
| R. F. Jennings,<br>222 Eagle Ridge Dr. S.W.,<br>Calgary, Alberta.    | Vendor of<br>2794 shares. |
| K. McAfee,<br>2020 - 1st National Bldg.,<br>Oklahoma City, Oklahoma. | Vendor of<br>2794 shares. |
| W. Knode,<br>1110 Sydenham Road S.W.,<br>Calgary, Alberta.           | Vendor of<br>2380 shares. |
| J. McLaughlin,<br>Box 2206,<br>Great Falls, Montana.                 | Vendor of<br>1396 shares. |
| O. McIntyre,<br>Box 2206,<br>Great Falls, Montana.                   | Vendor of<br>1396 shares. |
| W. Knode III,<br>23 Mayfair Road S.W.,<br>Calgary, Alberta.          | Vendor of<br>1328 shares  |
| H. S. Rhodes,<br>907 - 48 Ave. S.W.,<br>Calgary, Alberta.            | Vendor of<br>1157 shares. |
| B. Thomas,<br>10 Roseview Dr.,<br>Calgary, Alberta.                  | Vendor of<br>1157 shares. |

- (c) Vendor of shares of Midalta Oil Company Limited being sold for 1,259,895 treasury shares of the Company.

|                                                    |                         |
|----------------------------------------------------|-------------------------|
| D. Bruce Bullock,<br>R.R. #2,<br>Calgary, Alberta. | Vendor of<br>40 shares. |
|----------------------------------------------------|-------------------------|

D. BRUCE BULLOCK & ASSOCIATES LTD.

The Company is a private company incorporated on March 3, 1959, and has, since that date, carried on the business of consulting geologists.

At the present time the shareholders and principal employees are:

|                  |   |                                     |
|------------------|---|-------------------------------------|
| D. Bruce Bullock | - | consulting geologist;               |
| H. S. Rhodes     | - | geologist and petroleum consultant; |
| A. Muirhead      | - | chartered accountant.               |

The company has one other regular employee.

In addition the Company carries out seasonal field work for various clients and at present is engaged in a geological field survey for Union Oil Company. This field survey is being carried out by three qualified geologists, two of whom hold doctorates and all of whom teach at universities.



SCHEDULE "B"

- (a) By agreement dated the 21st day of August, A. D. 1969, between C. & E. Syndicate and the Company, to become operative upon acceptance by the Toronto Stock Exchange of this Filing Statement, the Company agreed to purchase a 21.875% interest in lands in the North West Territories described in Permits numbered 5713, 5714 and 5715 for 52,500 shares of the Company subject to the basic interest being earned. The acquisition cost of the interest to the C. & E. Syndicate on August 23, 1968 was \$105,000.00. For the purposes of this transaction the shares of the Company were valued at \$2.00.
- (b) By agreement dated the 21st day of August, A. D. 1969, between the shareholders of Grizzly Petroleum Limited and the Company, to become operative upon approval of the shareholders and acceptance by the Toronto Stock Exchange of this Filing Statement, the Company agreed to purchase all the outstanding shares of Grizzly Petroleum Limited and its outstanding debentures and notes for 250,000 shares of the Company. The assets of Grizzly Petroleum Limited were valued at \$3,894,300.00 by James A. Lewis Engineering Co. Ltd. on October 20, 1966, and they have not been adversely affected in value since that date.
- (c) By agreement dated the 18th day of August, A. D. 1969 between D. Bruce Bullock & Associates Ltd. and the Company, the Company engaged the services of D. Bruce Bullock & Associates Ltd. and appointed it Manager for the term of 3 years, at a monthly remuneration of \$5,000.00 plus expenses. The Company also granted to D. Bruce Bullock & Associates Ltd. an irrevocable and unassignable option to purchase 100,000 shares of the Company at \$1.40 per share exercisable at any time and from time to time up to and including August 17, 1972. The agreement is to become operative upon acceptance by the Toronto Stock Exchange of this Filing Statement and is conditional upon approval by the shareholders.
- (d) By agreement dated the 18th day of August, A. D. 1969 between Midalta Oil Company Limited ("Midalta"), D. Bruce Bullock & Associates Ltd. ("Associates"), D. Bruce Bullock ("Bullock") and the Company, Midalta sold to Associates all its shares in the Company and Associates assumed all the liabilities of Midalta arising out of the acquisition of the shares by Midalta on June 9, 1969. Midalta further sold to Bullock all its shares in Toltec Mines Limited which had been pledged as collateral security for one of the liabilities of Midalta mentioned above for \$56,000.00.

After those transactions Midalta owned cash and accounts receivable, an interest in a well being drilled in the North West Territories and the right to earn an interest in certain lands on which the said well is being drilled, and a 90% interest in certain lands in the Canadian Arctic. Bullock then sold all the issued shares of Midalta to the Company so that Midalta became the Company's wholly owned subsidiary. Bullock is to receive 1,259,895 shares of the Company valued at \$1.70 per share. The value of the 40 Midalta shares was calculated as follows:

|                                                                                                    |                  |
|----------------------------------------------------------------------------------------------------|------------------|
| Value of Arctic lands as per valuation of James A. Lewis Engineering Co. Ltd. dated June 12, 1969: | \$2,400,000.00   |
| 90% being Midalta's share:                                                                         | 2,160,000.00     |
| Less acquisition cost of Arctic Lands:                                                             | <u>15,925.00</u> |
|                                                                                                    | \$2,144,075.00   |
| Less Shareholders Equity per June 30, 1969, Balance Sheet                                          |                  |
| Deficit:                                                                                           | <u>2,252.00</u>  |
|                                                                                                    | \$2,141,823.00   |

The agreement is to become operative upon the acceptance by the Toronto Stock Exchange of this Filing Statement and is conditional upon approval by the shareholders.

FINANCIAL STATEMENTS

PINNACLE PETROLEUMS LTD. AND SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEET AND PRO FORMA CONSOLIDATED BALANCE SHEET - JUNE 30, 1969  
PREPARED WITHOUT AUDIT

THE PRO FORMA CONSOLIDATED BALANCE SHEET IS AFTER GIVING EFFECT AS OF JUNE 30, 1969, TO THE FOLLOWING TRANSACTIONS:

- (A) THE PURCHASE AND ACQUISITION OF ALL OF THE ISSUED AND OUTSTANDING SHARES OF MIDALTA OIL COMPANY LIMITED FOR 1,259,895 TREASURY SHARES OF THE COMPANY FOR AN ASSIGNED VALUE OF \$2,141,823.00 (\$1.70 PER SHARE).
- (B) THE PURCHASE AND ACQUISITION OF ALL OF THE ISSUED AND OUTSTANDING SHARES OF GRIZZLY PETROLEUM LTD. AND ALL OF THE OUTSTANDING DEBENTURES AND NOTES PAYABLE OF GRIZZLY PETROLEUM LTD. FOR 250,000 TREASURY SHARES OF THE COMPANY FOR AN ASSIGNED VALUE OF \$425,000.00 (\$1.70 PER SHARE).
- (C) THE PURCHASE AND ACQUISITION OF THE RIGHT TO EARN AN UNDIVIDED 21.875% INTEREST IN PERMITS NUMBERED 5713, 5714 AND 5715, COMPRISING 130,892 ACRES MORE OR LESS, SITUATED IN THE YUKON TERRITORY, FOR 52,500 TREASURY SHARES OF THE COMPANY FOR AN ASSIGNED VALUE OF \$89,250.00 (\$1.70 PER SHARE).
- (D) THE PROVISION OF MANAGEMENT SERVICES BY D. BRUCE BULLOCK & ASSOCIATES LTD. FOR A THREE YEAR TERM TO END AUGUST 17, 1972, FOR COMPENSATION AS FOLLOWS:
  - 1. A MONTHLY FEE OF \$5,000.00.
  - 2. AN OPTION TO PURCHASE 100,000 SHARES OF THE COMPANY AT \$1.40 PER SHARE, EXERCISABLE ANY TIME AND FROM TIME TO TIME UP TO AND INCLUDING AUGUST 17, 1972.

| ASSETS                                                                         | CONSOLIDATED<br>BALANCE SHEET | PRO FORMA<br>CONSOLIDATED<br>BALANCE SHEET | LIABILITIES                                                  | CONSOLIDATED<br>BALANCE SHEET | PRO FORMA<br>CONSOLIDATED<br>BALANCE SHEET |
|--------------------------------------------------------------------------------|-------------------------------|--------------------------------------------|--------------------------------------------------------------|-------------------------------|--------------------------------------------|
| CURRENT ASSETS:                                                                |                               |                                            | CURRENT LIABILITIES:                                         |                               |                                            |
| CASH                                                                           | \$ 42,756                     | \$ 51,309                                  | BANK LOANS                                                   | \$ 401,500                    | \$ 401,500                                 |
| ACCOUNTS RECEIVABLE                                                            | 67,309                        | 117,597                                    | ACCOUNTS PAYABLE AND ACCRUED<br>LIABILITIES                  | 171,752                       | 364,545                                    |
| PREPAID EXPENSES                                                               | 5,106                         | 5,106                                      | 7 3/4% SERIES DEBENTURES                                     | 178,147                       | 178,147                                    |
| TOTAL CURRENT ASSETS                                                           | 115,171                       | 173,742                                    | CONDITIONAL SALES AGREEMENT                                  | 3,720                         | 3,720                                      |
| DEFERRED ACCOUNTS RECEIVABLE                                                   | 27,965                        | 27,965                                     | DUE TO A SHAREHOLDER                                         | -                             | 4,568                                      |
|                                                                                |                               |                                            | TOTAL CURRENT LIABILITIES                                    | 755,119                       | 952,480                                    |
| PROPERTY AND EQUIPMENT - AT COST LESS<br>ACCUMULATED DEPLETION & DEPRECIATION: |                               |                                            | LONG TERM DEBT:                                              |                               |                                            |
| PETROLEUM & NATURAL GAS PROPERTIES                                             | 3,169,314                     | 6,002,268                                  | BANK LOANS LESS CURRENT PORTION                              | 355,517                       | 355,517                                    |
| LESS ACCUMULATED DEPLETION                                                     | 299,928                       | 369,965                                    |                                                              |                               |                                            |
|                                                                                | 2,869,386                     | 5,632,303                                  | SHAREHOLDERS' EQUITY:                                        |                               |                                            |
| PRODUCTION AND OTHER EQUIPMENT                                                 | 723,565                       | 796,903                                    | SHARE CAPITAL                                                |                               |                                            |
| LESS ACCUMULATED DEPRECIATION                                                  | 272,237                       | 322,538                                    | AUTHORIZED: 7,000,000 SHARES WITHOUT<br>NOMINAL OR PAR VALUE |                               |                                            |
|                                                                                | 451,328                       | 474,365                                    | ISSUED : 3,818,500 SHARES (PRO<br>FORMA 5,380,895 SHARES)    | 3,118,728                     | 5,774,801                                  |
| NET PROPERTY AND EQUIPMENT                                                     | 3,320,714                     | 6,106,668                                  | DEFICIT                                                      | 731,195                       | 731,195                                    |
|                                                                                |                               |                                            |                                                              | 2,387,533                     | 5,043,606                                  |
| OTHER ASSETS:                                                                  |                               |                                            | Approved on behalf of the Board                              |                               |                                            |
| DRILLING & OTHER DEPOSITS - AT COST                                            | 29,802                        | 37,827                                     |                                                              |                               |                                            |
| LESS AMOUNTS WRITTEN OFF                                                       | 4,517                         | 5,401                                      | by: " <i>D. Bruce Bullock</i> ", Director                    |                               |                                            |
| INCORPORATION EXPENSES                                                         | 34,319                        | 43,228                                     | by: " <i>A. H. H. H. H.</i> ", Director                      |                               |                                            |
|                                                                                | \$ 3,498,169                  | \$ 6,351,603                               |                                                              | \$ 3,498,169                  | \$ 6,351,603                               |



MIDALTA OIL COMPANY LIMITED

BALANCE SHEET AND PRO FORMA BALANCE SHEET

JUNE 30, 1969

The pro forma balance sheet is after giving effect as of June 30, 1969, to the following transactions which became necessary when Pinnacle Petroleum Ltd. purchased and acquired all of the issued and outstanding shares of Midalta Oil Company Limited August 18, 1969:

- (1) The transfer of 1,742,700 shares of Pinnacle Petroleum Ltd. and related assets to D. Bruce Bullock & Associates Ltd. and the assumption of related liabilities by D. Bruce Bullock & Associates Ltd. according to an agreement dated August 18, 1969, between Midalta Oil Company Limited and D. Bruce Bullock & Associates Ltd.
- (2) The transfer of 700,000 shares of Toltec Mines Limited to Mr. D. Bruce Bullock and the reduction of his shareholder's loan account by \$56,000.00 as consideration according to an agreement dated August 18, 1969, between Midalta Oil Company Limited and Mr. D. Bruce Bullock.

ASSETS

|                                          | Balance Sheet | Pro Forma Balance Sheet |
|------------------------------------------|---------------|-------------------------|
| CURRENT                                  |               |                         |
| Cash-current account                     | \$ 4,531.27   | \$ 4,531.27             |
| -special deposit accounts (Note 1)       | 144,303.41    | -                       |
| Accounts receivable - trade              | 840.00        | 840.00                  |
| - re sale of undivided interest (Note 2) | 42,400.00     | 42,400.00               |
| Total current assets                     | 192,074.68    | 47,771.27               |

INVESTMENTS - at cost

1,742,700 shares of Pinnacle Petroleum Ltd. (market value \$3,485,400.00) (Note 1)

700,000 shares of Toltec Mines Limited (Note 3)

Total investments

PROPERTY AND EQUIPMENT - at cost

Petroleum and natural gas properties (Note 4)

Exploration and drilling in progress (Note 2)

Total property and equipment

OTHER

Deferred guarantee service fees (Note 1)

LIABILITIES

|                                            | Balance Sheet | Pro Forma Balance Sheet |
|--------------------------------------------|---------------|-------------------------|
| CURRENT                                    |               |                         |
| Due to Toltec Mines Limited (Note 2)       | \$ 144,543.74 | \$144,543.74            |
| Accounts payable - trade (Note 2)          | 35,666.04     | 35,666.04               |
| Agreement payable - re assignment (Note 1) | 70,650.00     | -                       |
| Guarantee service fees payable (Note 1)    | 112,320.00    | -                       |
| Total current liabilities                  | 363,179.78    | 180,209.78              |

LONG TERM

Bank loan (secured) (Note 1)

DUE TO SHAREHOLDER - D. Bruce Bullock

SHAREHOLDER'S EQUITY

|                                                                                           |                |              |
|-------------------------------------------------------------------------------------------|----------------|--------------|
| Capital                                                                                   |                |              |
| Authorized - 3,000,000 ordinary shares of 25¢ each without nominal par value \$750,000.00 |                |              |
| Issued - 40 shares                                                                        | 10.00          | 10.00        |
| Deficit (Statement 2) (Note 5)                                                            | (2,262.00)     | (2,262.00)   |
|                                                                                           | (2,252.00)     | (2,252.00)   |
|                                                                                           | \$3,236,315.34 | \$182,525.54 |

Approved by Director:

*D. Bruce Bullock*

D. Bruce Bullock

August 22, 1969,  
Calgary, Alberta.

*Alex Muirhead*  
Alex Muirhead,  
Chartered Accountant.

MIDALTA OIL COMPANY LIMITED

STATEMENT OF PROFIT AND LOSS AND DEFICIT

YEAR ENDED JUNE 30, 1969

|                           |    |          |    |          |
|---------------------------|----|----------|----|----------|
| REVENUE                   |    |          | \$ | NIL      |
| EXPENSES                  |    |          |    |          |
| Telephone and telegraph   | \$ | 205.54   |    |          |
| Travelling expenses       |    | 481.44   |    |          |
| Insurance                 |    | 140.00   |    |          |
| Interest and bank charges |    | 235.08   |    |          |
| Legal and accounting      |    | 1,479.40 |    |          |
| Sundry                    |    | 70.54    |    |          |
|                           | \$ | 2,612.00 |    |          |
| Less expense recovery     |    | 350.00   |    | 2,262.00 |
| NET LOSS                  |    |          | \$ | 2,262.00 |
| DEFICIT JULY 1, 1968      |    |          |    | NIL      |
| DEFICIT JUNE 30, 1969     |    |          | \$ | 2,262.00 |

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1969

1. On June 9, 1969, Midalta Oil Company Limited purchased 1,913,000 shares of Pinnacle Petroleums Ltd. being approximately 50.1% of the issued and outstanding shares of Pinnacle Petroleums Ltd. and received from the Bank of Montreal, Calgary, Alberta, a bank loan of \$2,600,000.00 (U.S. Currency) or \$2,803,112.00 Canadian dollars repayable on June 9, 1971, and entered into agreements with D. Bruce Bullock, the owner of Midalta Oil Company Limited, and Greyhound Leasing & Financial of Canada, Ltd., a Canadian corporation and Greyhound Leasing & Financial Corporation, a California corporation regarding the conditional refinancing of the bank loan and its repayment and payment of the interest monthly. The annual rate of interest shall be equal to the rate obtained by adding to the minimum New York prime rate for United States dollars an additional rate of two and one-half (2 1/2%) per cent per annum.

Special security deposit accounts have been set up at the Bank of Montreal, Calgary, Alberta, and at Greyhound Leasing & Financial Corporation in United States dollars re funding of the monthly interest payments and of the guarantee service fees. Using an interest rate of eleven (11%) per cent per annum it is projected that the monthly interest payments will be \$23,835.00 (U.S. Currency) or \$25,742.00 Canadian dollars. The guarantee service fee is payable \$52,000.00 (U.S. Currency) or \$56,160.00 Canadian dollars November 9, 1969 and \$52,000.00 (U.S. Currency) or \$56,160.00 Canadian dollars June 9, 1970.

171,300 shares of Pinnacle Petroleums Ltd. were transferred to Greyhound Leasing & Financial of Canada, Ltd. pursuant to the June 9, 1969 agreement referred to.



Midalta Oil Company Limited has agreed to sell 200,000 shares of Pinnacle Petroleums Ltd. for \$300,000.00 (Canadian Currency) on or before November 9, 1969.

The bank loan payable to the Bank of Montreal, Calgary, Alberta, in the amount of \$2,600,000.00 (U.S. Currency) or \$2,803,112.00 Canadian dollars is secured by the following:

- (a) Midalta Oil Company Limited promissory note, guaranteed by D. Bruce Bullock.
- (b) 1,541,700 shares of Pinnacle Petroleums Ltd.
- (c) Conditional Refinancing Agreement dated June 9, 1969, between the Bank of Montreal, Calgary, Alberta, and Greyhound Leasing & Financial Corporation (U.S.).

Midalta Oil Company Limited according to a letter of agreement dated May 20, 1969, upon the completion of the purchase of the shares of Pinnacle Petroleums Ltd. referred to above, agreed to pay Mr. R.C. Todd of Calgary, Alberta, an amount of \$70,650.00 in addition to \$25,000.00 advanced to him re assignment of rights to Pinnacle Petroleums Ltd. shares. The agreement is payable in two instalments as follows:

|                     |                                     |
|---------------------|-------------------------------------|
| December 31, 1969 - | \$ 35,250.00 (with interest)        |
| July 15, 1970 -     | 35,400.00 (with interest)           |
| Total -             | <u>\$ 70,650.00 (with interest)</u> |

- 2. Midalta Oil Company Limited has entered into an agreement with United Canso Oil & Gas Ltd. and Alminex Limited dated August 15, 1968, whereby it will earn a sixty (60%) per cent interest in 130,890 permit acres in the Peel River Plateau of the Northern Yukon for the drilling of an exploratory well. The exploration and drilling in progress account of \$118,829.27 refers to this well. Further agreements were entered into in August, 1968, whereby Midalta Oil Company Limited assigned interests of fifty (50%) per cent to other participants leaving itself with an undivided ten (10%) per cent interest in the 130,890 permit acres and the Peel River well. The earning well has not yet been completed to its required depth. The accounts receivable - re sale of undivided interest, the account due to Toltec Mines Limited and the accounts payable - trade are all in connection with the drilling of the Peel River well.
- 3. Midalta Oil Company Limited holds an option to purchase a further 100,000 common shares of Toltec Mines Limited at ten (10¢) cents per share exercisable up to August 31, 1969.

Midalta Oil Company Limited has pledged its 700,000 shares of Toltec Mines Limited as security to Greyhound Leasing & Financial of Canada, Ltd. pursuant to the June 9, 1969 agreement referred to in Note 1.

- (a) These shares are held under an Escrow Agreement with National Trust Company as Trustee.
- (b) The shares of Toltec Mines Limited are unlisted but approximately 10,000 shares were traded through the Calgary office of Bongard, Leslie & Co. Ltd. during the period from June 1, 1969, to July 31, 1969, with a high of ninety (90¢) cents per share and a low of sixty (60¢) cents per share.
- 4. Midalta Oil Company Limited holds a ninety (90%) per cent interest in sixty three (63) exploratory permits comprising 4,794,013 acres on and adjacent to Prince of Wales Island. This area is located on the eastern portion of the Victoria Strait Basin. In a report dated June 12, 1969, James A. Lewis Engineering Co. Ltd. have estimated that the total interest could be sold for fifty (50¢) cents per acre or approximately \$2,400,000.00.

There is a contingent liability for work guarantees of \$240,000.00 on the above permits.

- 5. The company was incorporated March 27, 1947, but had no operations or transactions prior to June 30, 1968. For income tax purposes the company is entitled to claim drilling, exploration and lease acquisition costs against future taxable income in the amount of \$137,016.27.

# ENGINEER'S REPORT

JAMES A. LEWIS ENGINEERING CO. LTD.  
Petroleum Reservoir Analysts  
736 EIGHTH AVENUE S.W.  
CALGARY, ALBERTA

October 20, 1966

File: 6885

Grizzly Petroleum Limited  
219 Royalite Building  
Calgary, Alberta

Gentlemen:

In accordance with your authorization of August, 1966, an appraisal of the oil and gas reserves and prospective lands owned by Grizzly Petroleum Limited has been prepared as of October 1, 1966. The groups of appraised properties listed in Tables 1 and 2 include all oil and gas properties owned by Grizzly. Figures M-1, M-2 and M-3 show the geographical location of major Grizzly holdings.

## SUMMARY OF APPRAISAL

|                   | Asset             | Present<br>Worth (4)<br>to Grizzly |
|-------------------|-------------------|------------------------------------|
| CANADA            |                   |                                    |
| Gas               | 1,128 Mscf (1)(3) | \$ 69,000                          |
| Oil               | 59,200 Stb (2)(3) | \$ 81,800                          |
| Prospective Lands |                   | \$ 243,500                         |
| Total             |                   | \$ 394,300                         |
| UNITED KINGDOM    |                   |                                    |
| Prospective Lands |                   | \$3,500,000                        |
| Total             |                   | \$3,500,000                        |
| GRAND TOTAL       |                   | \$3,894,300                        |

- (1) At contractual pressure and temperature bases
- (2) Stock tank barrels equivalent to 42 US or 35 Imperial gallons
- (3) Proved plus probable net reserves
- (4) Canadian dollars

Grizzly net reserves referred to herein are those owned by the Company after deduction of all outside working and royalty interests, which are listed in Table 10. As shown in Table 2, these future net reserves have been categorized in accordance with the definitions shown on the attachment to this letter.

Effective October 1, 1966, Grizzly's total future net income to be generated by production of the aforementioned proved and probable reserves has been estimated to be:

|                                              |           |
|----------------------------------------------|-----------|
| Undiscounted Net Income                      | \$249,700 |
| Net Income Discounted<br>Annually @ 6%/Annum | \$150,800 |

In our opinion, the latter figure represents the most realistic estimate of the Company's present worth value of its net oil and gas reserves. Tabulation of individual property proved plus probable net Grizzly reserves and associated economics is presented in Table 2. Composite and individual producing property projections of yearly gross and net production together with income from the proved plus probable reserves are shown in Tables 3 through 9. Figure G-1 is presented to assist in visualization of the trends in Grizzly's composite future net operating income from developed reserves.

The Company's prospective lands are listed in Table 1 together with pertinent facts which control the appraised value. It is readily apparent that the prospective land holdings in the United Kingdom comprise some 90 per cent of the Company's total present worth value of producing properties and exploratory lands. At this stage of exploration, proper appraisal of this major asset requires sound geological, exploration and business judgement. For this reason, Lewis collaborated with J. Grant Spratt in the appraisal of Grizzly's United Kingdom holdings. Mr. Spratt is a graduate geologist and has had extensive experience in the exploration and executive divisions of the oil industry. A joint discussion of the United Kingdom lands and the valuation approach used for this important segment of the total appraisal is presented in the body of the report. Appraisal of the Canadian exploratory lands is based on Lewis' reservoir and economic analysis in the various areas and a review of average acreage trading values for exploratory lands in proximity to Grizzly holdings. Acreage values awarded in the Chigwell, Gem, Halkirk, Hus-sar and Leahurst areas reflect the fact that possible developed and undeveloped oil reserves underlie Grizzly lands in the Chigwell area and possible developed and undeveloped gas reserves are owned by Grizzly in the other four areas. These gas reserves are categorized as possible basis their marginal economics.



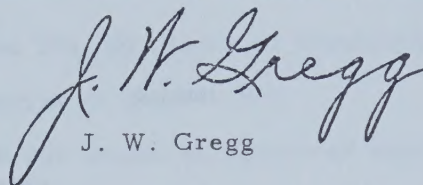
Net income projections are based on current oil prices (assumed to remain constant) and on current operating costs adjusted for anticipated future operating practices. Gas prices are based upon existing gas purchase contracts. Operating costs applied in the estimates include direct lifting costs through district expenses and processing costs but do not include general and administrative overhead. Basic economic data are listed in Table 10. Net income has been reduced by the estimated future expenditures for development but has not been adjusted for salvage credits or abandonment costs. In estimating future net income, no provision has been made for depreciation and depletion allowances nor for Federal income taxes.

The basic economic, engineering and geologic data used in this study were obtained from the Company and from the regulatory bodies in the various provinces. All factual data, including the extent and character of ownership, were accepted as represented by the Company. Due to the adequacy of operational data presented, independent well tests were not considered necessary in connection with this appraisal of the producing properties. The officers and staff of the Company have been cooperative in disclosing all requested information and have answered satisfactorily all questions regarding the properties.

The opportunity to be of service is appreciated and we shall be available to discuss the appraisal at your convenience.

Very truly yours,

JAMES A. LEWIS ENGINEERING CO. LTD.

  
J. W. Gregg

JWG:JRD:gs  
Attachment

#### CATEGORY DEFINITIONS

PROVED RESERVES are those established by existing production, by adequate test and by other information on zones behind pipe in existing wells, or those existing beneath undeveloped tracts offsetting producing wells where geological control confirms presence of the reserve. Reserves included in the proved category, which are attributable to fluid injection, represent that portion of the theoretical reserve calculation which is considered to be proved on the basis of the production and injection performance of the injection project to date. The distinction between a proved primary reserve and a proved fluid injection reserve is noteworthy. The proved primary reserve is a relatively fixed value, whereas the proved injection reserve is not necessarily fixed and will progressively increase with time as satisfactory flood performance is established.

PROBABLE RESERVES are those estimated for locations beyond proved offsets, where geological data reasonably confirm satisfactory structural and formation characteristics; those in zones behind pipe in existing wells where data reasonably confirm the presence of these reserves, but where such data are inadequate to establish proof of the productivity of the reserves. Reserves attributable to established fluid injection projects are also included. Fluid injection reserves in the probable category are those reserves which are reasonably certain of recovery, but which have not been fully proved by performance of the injection project to date. As these projects progress favorably, all reserves placed in the probable category may be progressively transferred into the proved category. Primary reserves placed in this category also may be subsequently transferred into the proved category as justified by well performance.

POSSIBLE RESERVES are those in zones present behind pipe in existing wells where geological and engineering data indicate the possibility of reserves, in step-out locations beyond proved and probable offsets in established fields where geological control is reasonable and in prospective fluid injection projects. Possible reserves also include the oil recoverable from developed fluid injection projects which is in excess of that categorized as proved or probable, but which is indicated as recoverable by accepted theoretical prediction techniques. Possible gas reserves include those reserves for which there is no foreseeable market or where the economics of producing a small volume, low deliverability, proved reserve appear to be marginal.

JAMES A. LEWIS ENGINEERING CO. LTD.

April 2, 1965



Midalta Oil Company Limited  
703 Fifth Street S.W.  
Calgary 2, Alberta

June 12, 1969

File: 9453

Gentlemen:

We have estimated the current market value of certain lands held under exploratory permits in the Canadian Arctic Islands.

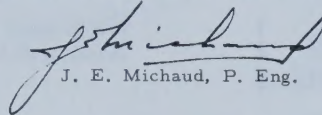
The lands in question comprise 4,794,013 acres in one contiguous group of 63 exploratory permits held by Toltec Mines Limited, 90 per cent of which is held in trust for Midalta Oil Company Limited, on and adjacent to Prince of Wales Island. This area is located on the eastern portion of the Victoria Strait Basin. Although this basin does not contain the thick sequence of Mesozoic beds as that found in the Sverdrup basin, Geological Surveys of Canada have indicated Paleozoic sediment thickness to be in excess of 10,000 feet under this acreage. Most of the land mass exposes rocks believed to be of Devonian or Silurian age. This sedimentary basin offers potential for hydrocarbon accumulations in the Devonian and Ordovician.

On the basis of recent trades and offers to purchase made in the general area, we estimate that this interest could be sold for \$.50 per acre or approximately \$2,400,000. As this area is in its earliest stages of exploration, the price quoted above is subject to rapid and significant revision as exploratory work is performed. This price represents our estimate of the current market place assessment of this acreage and does not necessarily reflect its intrinsic value or worth to the holder as an active petroleum explorer.

Should you require additional information, please feel free to call at your convenience.

Very truly yours,

JAMES A. LEWIS ENGINEERING CO. LTD.

  
J. E. Michaud, P. Eng.

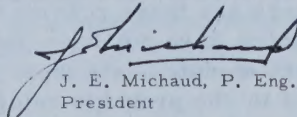
JEM:jam

#### CERTIFICATE OF QUALIFICATION

This is to certify that James A. Lewis Engineering Co. Ltd., with offices located at 736 Eighth Avenue S.W., Calgary 2, Alberta, Canada, did prepare a report on certain lands held under exploratory permits by Toltec Mines Limited, 90 per cent of which is held in trust for Midalta Oil Company Limited, dated June 12, 1969, located in the Canadian Arctic Islands.

- (a) James A. Lewis Engineering Co. Ltd. is a corporation of consulting petroleum engineers, engaged primarily in the appraisal and supervision of petroleum and natural gas properties.
- (b) J. E. Michaud, Petroleum Engineer, was the person directly responsible for the preparation of this report. Mr. Michaud has in excess of thirteen years experience in petroleum engineering and has been associated with James A. Lewis Engineering Co. Ltd. for approximately ten years. Petroleum property evaluation experience of Mr. Michaud extends throughout the United States of America and Canada. He is an engineering graduate from the University of Alberta, Edmonton, Alberta. Mr. Michaud is a registered member of the Association of Professional Engineers in the Province of Alberta and is a member of the Engineering Institute of Canada and the Society of Petroleum Engineers of CIM and AIME.
- (c) James A. Lewis Engineering Co. Ltd. has no interest, directly or indirectly, nor does it expect to receive any interest, directly or indirectly, in any of the properties or securities owned by Toltec Mines Limited, Midalta Oil Company Limited or D. Bruce Bullock & Associates.
- (d) The said report is not based on personal field examination of the properties, inasmuch as such examination was deemed unnecessary.
- (e) The properties studied in this report are located in the Canadian Arctic Islands.

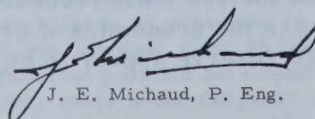
JAMES A. LEWIS ENGINEERING CO. LTD.

  
J. E. Michaud, P. Eng.  
President

August 22, 1969  
Calgary, Alberta

#### CERTIFICATE OF QUALIFICATION (Continued)

I, J. E. Michaud, hereby certify that I have no interest, directly or indirectly, nor do I expect to receive any interest, directly or indirectly, in any of the properties or securities owned by Toltec Mines Limited, Midalta Oil Company Limited or D. Bruce Bullock & Associates.

  
J. E. Michaud, P. Eng.

August 22, 1969  
Calgary, Alberta



|                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.                                                                                                                                                           | The Company proposes to use the \$510,000.00 borrowed from Charles Scott for development work, primarily in the Hamilton Lake field, and for exploration work in the areas of Brooks, Alberta, and Peel River, N.W.T.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.                                                                                                                                                   | See Schedule "A" on page 3.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company. | Same as Item 11                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.                                                                                                                      | See Schedule "B" on page 4.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.                                                                                                                             | <p>As part of the financing arrangements connected with the acquisition of 1,913,000 shares of the Company Midalta Oil Company Limited and D. Bruce Bullock agreed to dispose of the following shares:</p> <p>(a) to transfer 171,300 shares to Greyhound Leasing &amp; Financial of Canada, Ltd.;</p> <p>(b) to sell 20,000 shares to Greyhound Leasing &amp; Financial of Canada, Ltd. for \$30,000.00;</p> <p>(c) to sell 15,000 shares to F. T. Jenner of Edmonton, Alberta, for \$22,500.00;</p> <p>(d) to sell 22,500 shares to W. R. Carruthers, of Kelowna, B. C. for \$33,750.00;</p> <p>(e) to sell 22,500 shares to W. H. Carruthers, of Calgary, Alberta, for \$33,750.00;</p> <p>(f) to sell 120,000 shares to R. H. O'Connor of Calgary, Alberta, for \$180,000.00.</p> <p>The Company has applied to the Alberta Securities Commission and to the Ontario Securities Commission for rulings that the above distribution would not constitute a primary distribution to the public and has received such ruling from the Alberta Securities Commission. No reply has yet been received from the Ontario Securities Commission.</p> |

DATED August 25, 1969.

#### CERTIFICATE OF THE COMPANY

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"D.B. Bollock" \_\_\_\_\_

CORPORATE  
SEAL

"A. Muirhead" \_\_\_\_\_

#### CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)



